



## CITY OF LODI COUNCIL COMMUNICATION

K-1

**AGENDA TITLE:** Adopt Resolution Opposing State Budget Decisions that Would "Borrow" Local Government and Transportation Funds

**MEETING DATE:** August 6, 2008

**PREPARED BY:** Interim Deputy City Manager/Internal Services Director

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**RECOMMENDED ACTION:** Adopt Resolution opposing State Budget decisions that would "borrow" local government and transportation funds.

**BACKGROUND INFORMATION:** The City of Lodi has been requested by the League of California Cities to adopt the attached Resolution confirming the City's opposition to the State circumventing Proposition 1-A by borrowing from local government and transportation funds in order to balance the 2008-09 State Budget.

Proposition I - A was passed in 2004 with support from **84** percent of voters giving a clear mandate that local revenues not be continuously hijacked by the State. Two years later, a second measure to protect transportation (sales tax) was approved by 77 percent of voters. There have been rumors circulating in the Capitol that the State Legislature is considering invoking a narrow provision in Proposition I - A which allows the State to borrow from local governments only in a "severe state of fiscal hardship" for a period of up to three years to be repaid with interest.

In terms of impact on the City of Lodi, it is estimated that such a move by the State could cost the City up to \$1.4 million for the 2008-09 fiscal year or about 15 percent of property tax revenue. The League is urging the passage of resolutions opposing the proposed borrowing scheme as soon as possible in order to send a powerful message to legislators.

**FISCAL IMPACT:** \$1.4 million or 15 percent of property tax revenue lost to the City's General Fund for the current (2008-09) fiscal year.

**FUNDING:** N/A

  
Richard C. Oakley  
Deputy City Manager/Internal Services Director

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**APPROVED:**   
Blair King, City Manager

RESOLUTION NO. 2008-157

A RESOLUTION OF THE LODI CITY COUNCIL  
OPPOSING STATE BUDGET DECISIONS THAT  
WOULD "BORROW LOCAL GOVERNMENT AND  
TRANSPORTATION FUNDS

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WHEREAS, on July 1, 2008, the State Legislature missed its Constitutional budget deadline; and

WHEREAS, both the Governor and the Legislative Budget Conference Committee have recommended balanced budgets without resorting to "loans" of local government property tax and transportation sales tax funds; and

WHEREAS, in 2004 by an 84% margin of approval, the voters of California approved Proposition 1A and sent a loud and unambiguous message to state leaders that they should stop the destructive practice of taking local government funds to finance the state budget and paper over the state deficit: and

WHEREAS, in 2006 by a 77% margin of approval, the voters of California also approved Proposition 1A, providing similar protections to transportation funding for state and local transportation projects, including important street maintenance and public transit programs; and

WHEREAS, both ballot measures allow the Governor to declare a "severe state of fiscal hardship" and "borrow" these funds if they are repaid in three years with interest, but the Governor believes it would be irresponsible to "borrow" such funds because it would deepen the state's structural deficit and cripple local government and transportation services; and

WHEREAS, refusal by the Legislature to carry out its constitutional obligation to compromise on a balanced budget is not a "severe state of fiscal hardship" and would not justify reductions in critical local services and infrastructure at a time when cities are struggling to balance their own budgets during this economic down turn; and

WHEREAS, the Legislature should balance the state budget with state revenues and respect the overwhelming support of voters for not using local property taxes and transportation sales tax funds to fund the day-to-day operating cost of state programs; and

WHEREAS, it would be irresponsible to ignore the state structural deficit with more borrowing.

NOW, THEREFORE, BE IT RESOLVED that the Lodi City Council does hereby oppose any and all efforts by state government to "borrow" local tax funds and transportation sales tax funds by the state government to finance state operations. Such a move would not be responsible and would hamper effective local services and infrastructure investments; and

BE IT FURTHER RESOLVED that the City Manager is hereby directed to send this resolution and communicate this Council's strong and unswerving opposition on this matter to the Legislators and the Governor along with an expression of our continued appreciation for the Governor's steadfast opposition to further legislative borrowing and raids on local government and transportation funding.

Dated: August 6, 2008

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I hereby certify that Resolution No. 2008-157 was passed and adopted by the City Council of the City of Lodi in a regular meeting held August 6, 2008, by the following vote:

AYES: COUNCIL MEMBERS – Hansen, Hitchcock, Johnson, Katzakian,  
and Mayor Mounce


NOES: COUNCIL MEMBERS – None

ABSENT: COUNCIL MEMBERS – None

ABSTAIN: COUNCIL MEMBERS – None




RANDI JOHL  
City Clerk



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# State of California 2008 – 09 Fiscal “Crisis”

Presented: August 6, 2008



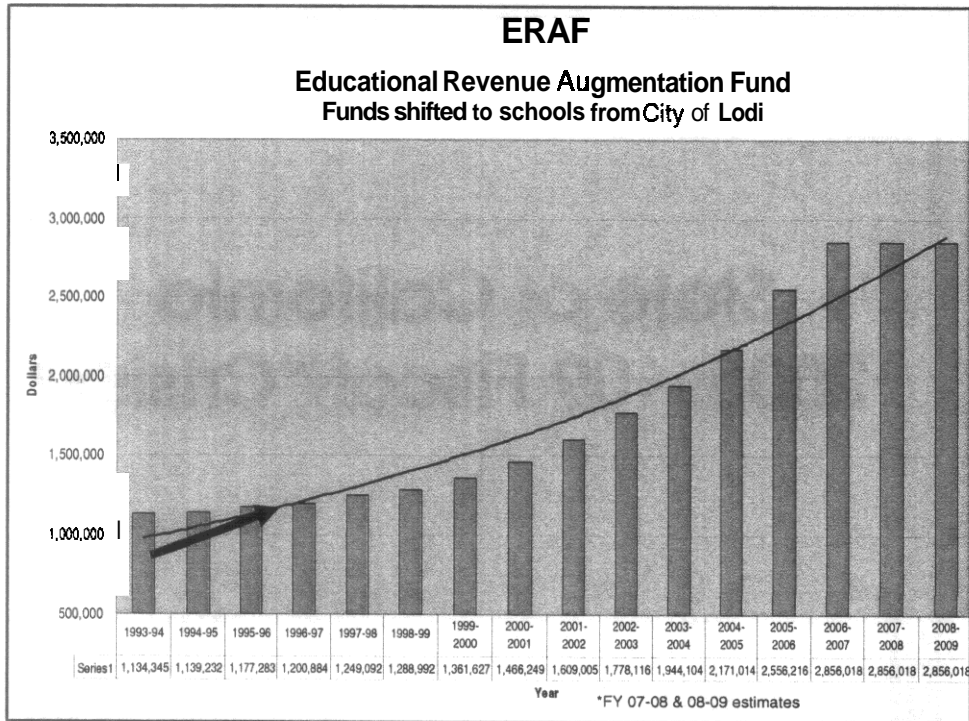
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## WHAT'S AT RISK?


The State has a history of taking local government revenue to balance State budgets since in 1991

- Local Property Tax – "ERAF"
- \*Vehicle Code Fines
- Cigarette Tax
- \*Business Inventory Subventions
- Alcohol Beverage Fees
- Trailer Coach In-lieu Fees
- New fees – Property Tax Administration, Jail Booking Fees

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- \$15.2 billion deficit
- Constitution requires a budget July 1, 2008



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### Legislative Analyst Office Proposal

- Shift State General Fund Program Requirements to counties and shift city monies to counties to pay for the new county costs
- \*Biggest threat – Prop 172 (1993 – One-half cent sales tax to fund public safety to replace the ERAF shift at that time)  
\$320,000
- Cut COPS grant funding
- Cut VLF in-lieu backfill
- California City Finance Estimate – Lodi impact: \$432,245



the city of lodi

### The Prop 1A Proposal

ERAF III

$(\$699,791 -- \text{ say } \$700,000) \times 2 =$   
 $\$1,400,000$

**Prop 42 Suspensions – highway and transportation taxes must be used for intended purpose, with some exceptions**

